

PASA Consultation Response

FCA Consultation: CP21/11: The stronger nudge to pensions guidance

June 2021

Acknowledgments

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1. Introduction

We welcome the introduction of any initiatives aimed at improving consumer education to assist them making informed decisions.

While the consultation is focused on FCA authorised providers and not trust based schemes, we note TPR and DWP are likely to introduce similar provisions for trust based schemes in due course. While we recognise the importance of ensuring all consumers receive appropriate guidance, we recommend the proposals are introduced to trust based schemes after associated learnings from an initial period of running of this process have been factored in.

2. Consultation questions and responses

1. Do you agree with our proposed approach on the trigger for the nudge?

While we agree with the principle of helping consumers making informed decisions, we think it would be better for the trigger to be earlier. Probably when the consumer is issued with their first (and subsequent) open market options statement. We think this is the best time for the consumer to be given a stronger nudge to make an appointment with Pension Wise. This is because, having taken the guidance, they can start to make informed decisions before finalising what to do with their pension savings. Having the trigger at the point when the consumer indicates they've decided in principle how they wish to access their pension savings is likely to be too late, as the consumer will probably already have decided what to do with their savings (this is recognised in section 4.8 of the consultation document).

2. Do you agree with our proposals to incorporate the delivery of the nudge into step 1 of our existing retirement risk warning rules?

As for our answer to question 1, our view is the trigger for the stronger nudge should be earlier.

3. Do you agree the explanation of the nature and purpose of guidance does not need to be prescribed?

We agree.

4. Do you agree with proposed approach to appointment bookings and opt-outs?

We don't agree with the proposed approach of providers booking appointments on behalf of consumers.

Providers won't have access to consumers' diaries and the process of agreeing and booking appointments could be lengthy and time consuming. This would add delays to the transfer or retirement process at the point when the member has already decided what they want to do with their pension savings, or where they need access to guidance quickly.

It would be more efficient for consumers to be given all the relevant information to book appointments themselves. This would also help if consumers wanted to book or rearrange appointments in the future, as it's much simpler for them to book the appointment directly rather than coming back to the original provider (who may no longer hold benefits for the consumer).

We don't agree providers should be recording opt-outs. As above, our view is the appointment booking system will operate more efficiently if consumers are given all relevant information to book appointments themselves, and if they do, providers wouldn't know if the consumer had opted-out. Should providers be required to record opt-out information they would need to amend processes and systems to accommodate this, which would have a cost and thus increase costs to providers without any guarantee of benefit to consumers.

In summary, we're supportive of the desire for consumers to use the Pension Wise guidance but under the current proposals this will result in:

- Increased administration in terms of booking appointments and record keeping for opt-outs leading to increased costs which providers will inevitably look to pass on to consumers
- Consumers letting providers book appointments for them with no intention of actually keeping the appointment
- An additional party involved in the process can lead to increased timescales. Any delays in the transfer process would conflict with the Minister's request for transfers to be speedier

5. Do you agree that where a consumer has previously been nudged and has confirmed receiving Pension Wise guidance, they do not need to be nudged again, unless it appears on reasonable grounds that the consumer could benefit from receiving the guidance again?

If as suggested a period of time has passed since a consumer received guidance (or was given the opportunity to book an appointment to take up the guidance) we suggest the consumer is again provided with the relevant details to book an appointment. Providers won't necessarily be in a position to determine whether a consumer could benefit from receiving the guidance again. However, providing the relevant details again, for example via a subsequent open market options statement, could act as a useful reminder to consumers who may have delayed their decision to transfer or retire.

Consideration also needs to be given to the approach for consumers with multiple pots and how they may access guidance/receive a nudge.

Similarly, we would recommend an alternative approach, or easy opt out, be applied to consumers with 'small pots'.

6. We welcome views on what would be the most relevant data for us to gather, and the most effective and proportionate way for providers to gather and submit this information.

We understand this relates to data on opt-outs received, nudges delivered and appointments booked. As noted above, given the increased administration costs resulting from booking appointments and recording opt-outs, we aren't supportive of providers undertaking these functions. If ultimately it's decided providers should hold data it would be for the FCA to decide what data should be held and submitted. Regardless, the approach should have minimal administrative/cost implications for providers if it's ultimately to help consumers

7. Taking into consideration the issues discussed in paragraphs 4.4 to 4.6, we would welcome views, and any supporting evidence, on whether allowing consumers additional time to consider the opportunity to take-up guidance could further increase/ incentivise the take-up of guidance in a way that encourages them to engage with their pension access decision.

We don't believe giving consumers more time will necessarily increase or incentivise take up of the guidance. However, as mentioned in our reply to question 1 we think having the trigger earlier in the process may help. As mentioned in our reply to question 4 the delay this could introduce for consumers would be unwelcome.

8. If you think it would increase the take-up of Pension Wise guidance, we would welcome views on how an opt-out process could operate to further incentivise the take-up of Pension Wise guidance in a positive way.

We don't think an opt-out process would further incentivise the take up of Pension Wise guidance. As we've stated above, rather than 'forcing' members to take up the guidance or opt-out, we believe it would be better to find out the fundamental reasons why so many consumers aren't using it. Then a revised strategy could be developed based on the feedback provided. We would also suggest Pension Wise appointments could be promoted in some other form. For example, electronic nudges as people approach retirement or more prominence in retirement communication and online generic guidance.

9. What would be the implementation challenges or unintended consequences with this approach and how could they be overcome?

Applying an opt-out/cooling off period once a consumer indicates they've decided in principle how they wish to access their pension savings is likely to lead to delays in benefit settlements. There could be perfectly legitimate reasons for not wanting a Pension Wise appointment. As a consequence this could potentially lead to consumer frustration/complaint, particularly as the vast majority of consumers may still not take up the guidance offer.

10. We would welcome views on whether and how an additional earlier nudge to guidance could be introduced. Please include comments and evidence relevant to the factors listed in paragraph 4.11, as well as an indication of the likely costs and benefits.

As already stated, we think having the trigger at the point when the consumer indicates they've decided in principle how they wish to access their pension savings is likely to be too late. The consumer will probably have already decided what they want to do with their pension savings. We think having a stronger nudge earlier in the consumer journey could help to increase the take up of Pension Wise. One way to do this could be to revisit the Pension Wise messaging in open market options statements, for example by making it more prominent (possibly by referring to it first) and making it more obvious it is a free service.

11. We would welcome views and any supporting evidence on what else we might do to increase the take-up of Pension Wise.

As mentioned above we think, given the low take up, one approach may be to survey consumers as to why they aren't referring to Pension Wise for guidance. Responses received could help to develop a better informed strategy and messaging to encourage take up.

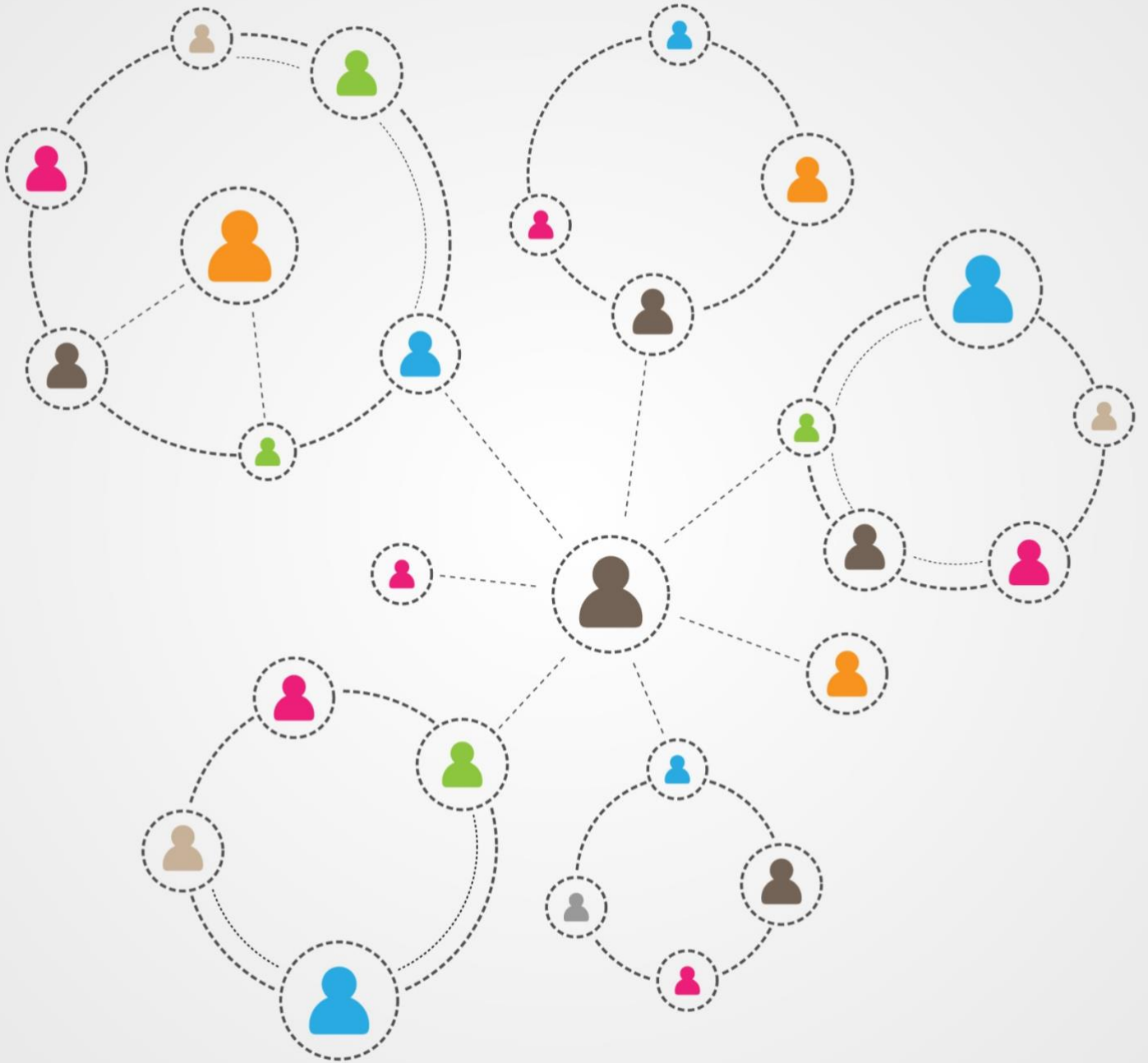
We do think the messages being given as part of the proposed stronger nudge process in the first part of step 1 (explain the purpose of guidance and that it's free, explain they can take regulated advice which they'll have to pay for) may lead to confusion about the difference between guidance and advice. This isn't a 'new' issue as such, but there's a concern these proposals won't help consumers understand the difference in these two processes (and the overt reference to the difference in cost, whilst understandable, is likely to put consumers off further going down the regulated advice route).

Engagement with sponsoring employers which already do/are considering providing support on retirement planning which goes beyond the legal requirements e.g. in the form of employers supporting access to regulated advice. In our experience, this is becoming more common, and we think is generally a good thing for members. Again, we can't see anything in the current proposals which would do this but we would be concerned if any additional complexity from regulated advice providers' perspective flows through into additional costs, which then has a knock-on consequence of reducing employers' support for this. For example, if they have to sequence with a pension provider on the timing of when regulated advice is provided in relation to the provision of guidance, or otherwise get involved in documenting whether advice has been provided.

12. In this context, we would welcome views and any supporting evidence on what more we can do to support consumers to access the right information and guidance they need to help them make well informed decisions about accessing their pensions.

In general, we think the free services provided by Pension Wise and MaPS offer valuable help and guidance to consumers, but there should be regular evaluation of these services to check whether they are able to deliver the guidance consumers require.

The FCA should also note companies within the pensions industry might offer additional services to help consumers make informed decisions about accessing their pensions. These services look to provide tailored guidance based on an individual's scheme benefits. These options are typically well received by participating consumers.



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